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DEPARTMENT OF ENVIRONMENTAL QUALITY
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OIL, GAS AND MINING

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November 14, 2000

Mr. Stephen Flechner, President
North Lily Mining Corporation
1800 Glenarm Place, Suite 210
Denver, Colorado 80202

Subject: Response to Proposal to Regrade Heap Leach Pad Beyond Lined Pad Margin

Dear Mr. Flechner:

We have received your report dated October 31, 2000, proposing regrading of the heap leach material beyond the FML liner limits. Your report also include analysis of meteoric water mobility tests (MWMP) on the heap pad. The test is conducted to evaluate the potential for dissolution and mobility of certain constituents from the heap leach pad by natural precipitation; and to determine whether or not the proposed activity will cause a significant impact on the ground water quality.

In the proposal, you state that the regrading is necessary to establish a stable pad slope to permanently reclaim the heap leach as required by the Utah Division of Oil, Gas and Mining. We understand from your report that the regrading does not require pushing a large section of the heap leach material beyond the liner limit.

Your MWMP analysis indicate that much of the constituents will not remobilize on contact with meteoric water, with the exception of Nitrite as N, 2.38 mg/l, Nitrate as N, 19.7 mg/l, Lead, 0.089 mg/l, and Arsenic, 0.135 mg/l, collected at north or south side of the heap leach pad. As indicated in your report, much of the nitrate/nitrite concentration will be taken up by the vegetation cover that will be placed on the pad surface as part of the reclamation process. Thus the estimated concentrations of these constituents that the tests represent are considered *de minimis* for potential impact to the ground water quality at the vicinity.

Based on our review of your report and the meteoric water mobility tests, we feel that you have demonstrated the regrading proposal will not significantly impact the ground water quality. Therefore, we approve your proposal to regrade the pad material beyond the liner margin.

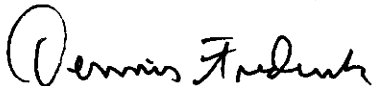
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Please submit as-built plan/report that indicates details of regrading work within 30 days of completion of the proposed work .

If you have any question, please contact Beth Wondimu of this office at (801) 538-6084.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dennis Frederick".

Dennis Frederick, P.E., Manager
Ground Water Quality Protection

DAF:BW

cc: **Mr. Wayne Hedberg**, Division of Oil, Gas and Mining

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